

QUARTERLY REPORT

TO 31 MARCH 2009

HIGHLIGHTS

- **Aerospace-grade composites manufacturing facility at the Company's headquarters in North Coogee opens for business following installation of three new autoclaves and a Breton 5-axis CNC milling machine as part of its \$10M production preparation plan.**
- **Final stages of accreditation to AS9100 quality standard nearing completion, enabling Quickstep to commence aerospace-grade manufacturing from its North Coogee headquarters.**
- **Several tenders which have been lodged with commercial aerospace companies continue to be evaluated. If successful, these manufacturing contracts would be undertaken at the Company's North Coogee facility**
- **Quickstep facility capabilities are to be evaluated by international OEM's, with a view to the Company bidding on long run strategic defence manufacturing contracts.**
- **Quickstep is in further discussions with other defence contractors for both short and long term build to specification contract work.**
- **Quickstep awarded subcontract to support Dayton-based composites fabricator, Vector Composites, to develop an Out-of-Autoclave processing cycle for high temperature resins used on the F-35 Joint Strike Fighter (JSF).**
- **A\$10M Convertible Loan Agreement signed with Al Farida to fund Quickstep's ongoing growth and expansion. The loan is interest-free and may be converted by the lender into up to 50 million Quickstep fully paid ordinary shares at 20 cents each.**
- **Private placement comprising 13.5 million convertible notes, issued at a face value of 20 cents and convertible at 20 cents per share, undertaken to raise \$2.7 million.**
- **Teaming Agreement signed with EDAG Australia Pty Ltd to jointly identify and target integrated design and manufacturing contracts primarily in the aerospace and defence industry.**
- **Landmark Agency Agreement signed with Al Sahel Trading Agencies LLC ("Al Sahel"), a subsidiary of Al Farida Investments Company LLC ("Al Farida"), a diversified conglomerate based in Abu Dhabi, United Arab Emirates ("UAE").**
- **Cash reserves at the end of the March Quarter of \$5.4 million.**

Overview

The March 2009 Quarter was a pivotal period for Quickstep Holdings Limited ("Quickstep"), with the Company finalising its core objective of achieving commercial readiness for

aerospace manufacturing at its North Coogee headquarters in Western Australia, including the final stages for accreditation to the benchmark AS9100 quality standard.

In parallel with this significant milestone, the Company secured a major funding injection through a Convertible Loan Agreement with a leading diversified conglomerate based in the Middle East, Al Farida Investments Company LLC, together with an Agency Agreement with one of Al Farida's trading arms. This secures a strong entree for Quickstep in the Middle East region, one of the world's fastest growing aerospace markets.

With its Western Australian manufacturing facility now open for business, Quickstep is poised to secure and deliver commercial manufacturing contracts for aerospace-grade components. Accordingly, the Company is aggressively targeting new business opportunities, both through the Quickstep head quarters in Western Australia and through its existing global network of Centres of Excellence, alliances and teaming arrangements.

North Coogee Facility Open for Business

The Company passed another significant milestone during the Quarter with the successful commissioning of its North Coogee headquarters following the installation of three new autoclaves and a Breton 5-axis CNC milling machine.



Quickstep's recently installed 5 Axis CNC Milling machine is one of the most accurate milling machines in Australia with on + and - 7 microns variance over its 4.5 metre bed.

Quickstep has installed two 8 x 3 metre (26 ft. x 10ft. dia.) and one 5 x 2.5 metre (16 ft x 8ft dia.) autoclaves, along with a Breton milling machine which is one of the most precise 5-Axis milling machines in Australia. Quickstep's Breton 5-axis machine can mill very large aerospace parts and is the only one of its kind in Western Australia.

The company's clean room will be expanded, and capabilities in automated ply cutting, non-destructive part testing and laser verification of part dimensions will complement the major pieces of manufacturing equipment.

The North Coogee facility is one of the most advanced, fully-integrated aerospace composite manufacturing sites in the Southern Hemisphere and the second largest aerospace grade advanced composites manufacturing facility in Australia. The facility provides customers with access to both traditional manufacturing technologies – such as autoclaves – alongside Quickstep's unique patented composites manufacturing technology.

In preparation for the move to full scale aerospace manufacturing, Quickstep has assembled a world-class team of aerospace engineers, many of whom have relocated to Western Australia from overseas to work with and develop Quickstep's technology.



Two or the three Bondtech Autoclaves the third being on the other side of the room. With these autoclaves Quickstep has the curing capability to cure approximately 80% of all commercial composite aircraft parts.

The facility is in the final stages of accreditation to the AS9100 quality standard. The final audit has been carried out and official accreditation could be obtained as early as June 2009,, allowing the start of production of sophisticated aerospace parts.

Quickstep is Now Bidding on Substantial Aerospace Contracts

Quickstep has replied to a number of Requests for Quotes (RFQ's) to manufacture advanced composite aerospace components out of its North Coogee facility just south of Fremantle and should benefit from the low exchange rate of the AUD. Quotes include:

- Aerospace OEM (Original Equipment Manufacturer) contract for a 5 year plus period on primary and secondary parts,
- Tier One aerospace supplier subcontract for cabin parts

In addition to commercial aviation RFQ's Quickstep is actively pursuing long term aerospace defence contracts and is working closely with Australia's Defence Materials Organisation (DMO) to secure these.



Quickstep's facility and team capabilities are being evaluated by a number of international OEM's, with a view to the Company bidding on long run strategic defence manufacturing contracts associated with Australian Government Defence Programs.

Quickstep Secures \$12.7M Funding Injection

In March Quickstep signed a \$10 million Convertible Loan Agreement with Al Farida Investments Company LLC ("Al Farida"), a diversified conglomerate headquartered in Abu Dhabi, United Arab Emirates ("UAE"). Al Farida has interests spanning the Gulf region, with active involvement in hospitality, hotels and real estate, along with engineering services and general trading.

Under the terms of the Convertible Loan Agreement, Al Farida or its nominee will lend up to \$10 million to Quickstep in tranches of up to \$2 million which can be drawn at intervals of at least 90 days, at Quickstep's discretion, with the first \$2 million to be made available 60 days after execution of the agreement.

The term of the loan facility is for two years and no interest is payable on the loan. Al Farida may elect to convert all or part of the outstanding balance of the loan into Quickstep shares at an issue price of 20 cents per share at any time. On expiry of the loan, Al Farida may elect to convert the outstanding balance of the loan into Quickstep shares or seek repayment of the outstanding loan balance.

Given that conversion of the loan into shares could require Quickstep to issue more than 15% of its current issued capital, and could result in Al Farida potentially obtaining a relevant interest of more than 20% of Quickstep's shares, the Company will seek shareholder approval to Al Farida's conversion rights under the facility. A shareholder meeting will be convened in the near future. The loan itself is not subject to shareholder approval.

In conjunction with the Convertible Loan Agreement, Quickstep announced a private placement comprising 13.5 million convertible notes, issued at a face value of 20 cents and convertible at 20 cents per share, to sophisticated and professional investors and clients of State One Stockbroking Ltd.

The placement, which raised a total of \$2.7 million, provided existing professional and institutional shareholders with an opportunity to participate in the Company's capital raising through the Convertible Loan Agreement with Al Farida. The terms and details of the convertible notes were provided in the Company's ASX Announcement of 10 March 2009.

The funds raised will be used to supplement Quickstep's working capital position as it prepares to commence aerospace-grade composites manufacturing from its North Coogee headquarters.

Middle East Agency Agreement

In addition to the \$10 million Convertible Loan Agreement, Quickstep has also signed an Agency Agreement with Al Sahel Trading Agencies LLC ("Al Sahel"), a subsidiary of Al Farida, to promote sales in the UAE, Saudi Arabia and other Middle East countries. Al Sahel is part of the trading arm of Al Farida and works to identify trade opportunities and consumer demand in the Gulf, aiming to match this with international companies providing specialist services and products.

Under the agreement, Al Sahel has agreed to act as the exclusive representative for Quickstep within the UAE and wider region for a minimum of two years, and to promote Quickstep's services to potential customers.



The appointment of a local trading agent will enable Quickstep to carry out business in the UAE and comes at an opportune time for the Company, with the commissioning of its aerospace-grade manufacturing facility at North Coogee, Western Australia.

The two companies are aiming to work with the numerous companies already targeting aerospace manufacturing contracts in the Middle East with the objective of establishing the region as a significant new aerospace manufacturing hub globally.

Teaming Agreement Signed with EDAG Australia

In February the Company announced a key alliance to target aerospace and defence manufacturing contracts. The new alliance, with EDAG Australia Pty Ltd – a division of the German-based EDAG GmbH & Co will enable the two groups to work together to pursue substantial opportunities within the aerospace and defence industries.

The initial focus of the alliance will be to target current and upcoming integrated contracts including component design, production engineering and manufacturing.

EDAG Australia is part of a global engineering group that has over 5,500 engineers with 600 aerospace engineers in locations such as Germany, France and Spain. The EDAG Group provides expert engineering knowledge to a wide range of customers including Airbus, Boeing, Dasell, Air France and ATR.

Teaming agreements are common in the aerospace industry, enabling consortiums to offer expanded skill sets and expertise that are not typically available within a single organisation.

Vector Composites and Quickstep Awarded Second US Defense Department Contract

In March Quickstep secured a sub-contract to be the technology provider to the Dayton-based advanced composites fabricator, Vector Composites, for a second Phase US Department of Defense (DOD) Small Business Innovation Research (SBIR) contract by the Air Force Research Laboratory, located in Dayton, USA.

This research program will focus on the development of a Quickstep Out-of-Autoclave processing cycle on a qualified high temperature bismaleimide/carbon fibre prepreg system used by the US Air Force on the F-35 Joint Strike Fighter (JSF) program.

The JSF program is the US DOD's focal point for defining affordable, next generation strike aircraft weapon systems for the US Navy, Air Force, and Marines, as well as for US allies. The JSF program is the largest military aerospace program in the world and will be worth well in excess of US\$200 billion at current prices.

The contract is in keeping with Quickstep's objective of winning work within the JSF manufacturing program, utilising the Company's patented composites manufacturing technology. The contract has just been awarded with the final report on this Phase I task due in late 2009.

Outlook

Quickstep is continuing to actively target aerospace and defence manufacturing contracts for the Company's North Coogee manufacturing facility through sourcing and securing sales with contracts with major aerospace and defence customers.

Quickstep's North Coogee facility is the second largest fully integrated aerospace grade advanced composites manufacturing facility in Australia and the largest independent one. This fully equipped aerospace factory, which has both conventional autoclave and Quickstep

capability, is expected to become a significant source of export revenue and potentially very profitable.

Quickstep has been accepted as an approved tenderer for several major aerospace Original Equipment Manufacturers (OEM's), and has submitted a number of tenders for aerospace contracts. In addition, manufacturing opportunities have also been identified through contracts linked with Australian defence purchases which specify that a level of Australian Industry Participation is necessary.

Quickstep's capabilities are currently being evaluated by international OEM's, with a view to the Company bidding on these long run strategic defence manufacturing contracts.



Third of the three Bondtech Autoclaves along side the purpose built Zodiac spray painting booth.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

31 MARCH 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	76	236
1.2 Payments for		
(a) staff costs	(696)	(2,670)
(b) advertising and marketing	(194)	(549)
(c) research and development	(145)	(493)
(d) leased assets	(2)	(7)
(e) other working capital	(617)	(1,802)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	375
1.5 Interest and other costs of finance paid	(10)	(11)
1.6 Income taxes received/(paid) – R&D	371	791
1.7 Other (Export Market Development Grant)	-	-
Net operating cash flows	(1,170)	(4,130)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,170)	(4,130)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(726)	(3,881)
(e) other non-current assets	-	-
<i>*including in-house asset construction</i>		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(726)	(3,881)
1.14 Total operating and investing cash flows	(1,896)	(8,011)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	2,700	2,700
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(2)	(7)
Net financing cash flows	2,698	2,693
Net increase (decrease) in cash held	802	(5,318)
1.21 Cash at beginning of quarter/year to date	4,647	10,307
1.22 Effects of exchange rate changes on cash held in foreign currencies	(2)	458
1.23 Cash at end of quarter	5,447	5,447

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	223
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

	\$A'000
- Directors' remuneration (Item 1.24)	180
- Research and development consultancy services (Item 1.24)	18
- Marketing and promotion expenses (Item 1.24)	25

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities ¹	12,700	2,700
3.2 Credit standby arrangements	NIL	NIL

¹ Relates to the two convertible loans. One for \$10 million and the other for \$2.7 million.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,647	218
4.2 Deposits at call	2,800	4,429
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	5,447	4,647

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	NIL	NIL
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


 (Company Secretary)

Date: **29 April 2009**

Print name: **Peter Williams**

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.